

ISSUE DATE: December 18, 1996

DOCKET NO. P-407/D-96-1012

ORDER REJECTING COMPANY PROPOSAL AND CERTIFYING ALTERNATE
REMAINING LIVES AND RESULTING DEPRECIATION RATES

BEFORE THE MINNESOTA PUBLIC UTILITIES COMMISSION

Joel Jacobs
Marshall Johnson
Dee Knaak
Mac McCollar
Don Storm

Chair
Commissioner
Commissioner
Commissioner
Commissioner

In the Matter of Contel of Minnesota d/b/a
GTE of Minnesota's Submission of its 1996
Remaining Life Depreciation Study

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PROCEDURAL HISTORY

On September 3, 1996, Contel of Minnesota d/b/a GTE Minnesota (GTE or the Company) filed a petition requesting Commission approval of its 1996 remaining life depreciation study.

On October 22, 1996, the Minnesota Department of Public Service (the Department) filed comments requesting that the Commission reject the Company's proposal and approve the average remaining lives and resulting rates recommended by the Department.

On November 13, 1996, the Company filed reply comments.

On November 20, 1996, the Department filed comments responding to the Company's reply comments.

On December 10, 1996, the Commission met to consider this matter.

FINDINGS AND CONCLUSIONS

The Commission finds that GTE-Minnesota has not borne its burden of showing that its proposed depreciation rates are reasonable. The Company's proposals are based on the projections of Technology Futures, Inc., (TFI) whose sponsoring organizations include large telephone companies, including GTE Telephone Operations. The Company did not show that it has any actual retirement plans for the plant elements in question (accompanied by investment feasibility studies) to show that the Company's proposed lives are realistic.

In the absence of supporting documentation, the Commission finds that the TFI study is

inadequate to support the large increase in depreciation expense resulting from the depreciation rates which the Company has proposed.

The Commission adopts and incorporates the Department's comments, dated October 11 and November 20, 1996, into this Order, copies attached. Specifically, the Commission will adopt the Department's recommended rates, which appear in the Department's attached comments dated October 11, 1996. The Commission finds that they are reasonable and properly weigh the impacts of competition and the TFI projections against customer interests in GTE's regulated environment.

ORDER

1. GTE-Minnesota's 1996 remaining life depreciation study, proposed remaining service lives, and proposed depreciation rates are not accepted.
2. The average remaining lives and resulting depreciation rates recommended by the Department are approved, as appear in the Department's comments dated October 11 and filed October 22, copy attached.
3. The Company is scheduled to file its next required five-year depreciation study by September 1, 1998. The Company is scheduled to file its next remaining life study by September 1, 1997.
4. The depreciation rates certified by this Order are effective January 1, 1996.
5. This Order shall become effective immediately.

BY ORDER OF THE COMMISSION

Burl W. Haar
Executive Secretary

(S E A L)

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